skw. metallurgie

REPORT FOR THE 2ND QUARTER 2013

Growth with Substance

SKW Metallurgie Key Figures

Key figures	Unit	Q1-2 2013	Q1-2 2012
Revenues	EUR mill.	176.2	219.9
EBITDA	EUR mill.	8.7	13.5
EBIT	EUR mill.	3.2	8.6
EBT	EUR mill.	0.8	6.6
Consolidated net result (SKW Metallurgie shareholders)	EUR mill.	0.4	4.3
EPS (6,544,930 shares)	EUR	0.07	0.66
Gross margin		31.3 %	29.0 %
EBITDA margin		4.9 %	6.1 %
Depreciation/amortization	EUR mill.	5.5	4.9
Cash flow from operating activities	EUR mill.	4.8	15.0

		06/30/2013	12/31/2012*
Total assets	EUR mill.	280.2	299.6
Consolidated equity	EUR mill.	113.7	120.6
Consolidated equity ratio		40.6 %	40.3 %
Net financial debt	EUR mill.	75.3	73.9
Employees		1,018	1,022

*Adjusted as a result of the impact of application of IAS 19R, see Basis of Presentation, Item A in the Notes

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Interim management report for the SKW Metallurgie Group for the first six months of fiscal year 2013

Economic conditions

Pace of global economy slows

In its most recent calculations from July 2013, the International Monetary Fund (IMF) concluded that the picture of the global economy was more negative in 2013 than three months ago. As a result, the organization has corrected its growth forecast for the global economy down by 0.2 percentage points to a current 3.1%. In Europe, the Euro zone countries will thus have to take a downturn in GDP of 0.6% this year; in April the IMF was still forecasting a reduction of 0.4%. This is also due to the weaker growth in Germany, where only slight growth of 0.3% (April forecast: 0.6%) is assumed. At present, the experts believe that France (-0.2%), Italy (-1.8%) and Spain (-1.6%) continue to be in recession.

In contrast to the trend, the IMF is forecasting improved perspectives for Japan. The Japanese economy is expected to grow by 2.0%, in particular in view of the expansive spending policy to increase private demand. In contrast, in the USA the rigid savings policy by various governments (at a federal level and also for many states and municipalities) is slowing private demand, so that the IMF is now only assuming growth of 1.7% (after 1.9% in April).

Economic growth of 5.0% is forecast for emerging and developing nations. Despite the slower pace of growth, China is continuing to play a key role, with forecast growth of 7.8% in the current year. In the other BRIC countries, India is expected to record growth at 5.6%, whereas the economies in Russia and Brazil are both expected to grow at a more moderate pace.

The IMF believes that the slight downturn in the economic outlook is mainly due to the continued recession in Europe, the slower pace of growth in emerging nations, as well as the new risks that the end of the monetary easing in the USA could bring. “The old risks are still there, and new ones have been added,” is the IMF’s opinion. In particular the sovereign debt crisis for many public budgets in industrialized nations (such as Mediterranean Euro-countries; parts of the USA) has not yet been solved; for example in Europe there is once again public discussion of trimming debt for Greek sovereign debt.

Substantial downturn in steel production in the markets relevant for the SKW Metallurgie Group

The growth of the steel industry, and in particular the quantity of steel produced are critical factors for sales of the SKW Metallurgie Group's products, as business with customers in this industry accounts for 85-90% of the SKW Metallurgie Group's revenues. The quantity of SKW Metallurgie's products demanded mostly depends on the quantity of steel produced.

During the first six months of 2013 global steel production increased slightly once again compared to the same period of the previous year. According to information from the World Steel Association (Worldsteel), 789.8 million tons of steel were produced worldwide in the first six months of 2013. This figure is thus up 2.0% compared to the same period of the previous year. This increase on a global level is due, in particular, to production growth in China. Accordingly, China increased its steel production in the first half of 2013 by 7.4% compared to the previous year. This country now accounts for 49.4% of global steel production. However, the bulk of steel produced in China is for types of steel that can be produced without the SKW Metallurgie Group's top quality products.

However, a key factor for the SKW Metallurgie Group is that steel production without China in the first half of the year was 2.7% lower than the comparable figure from 2012. Steel production fell even more sharply on the geographic sales markets that are particularly important for the SKW Metallurgie Group (European Union, USA and Brazil). In these regions, steel production fell by 5.1% in the first half of the year from 152.4 million tons to 144.5 million tons. The downturn was 6.4% in the USA, 5.1% in the EU and 3.1% in Brazil.

For 2013 as a whole, in its most recent forecast dated mid-April 2013, Worldsteel forecast an increase in global steel consumption (apparent steel use; an excellent indicator for steel production) by 2.9% to 1.454 million tons; however, this forecast already included substantial regional differences (e.g. a downturn in the European Union despite global growth). In addition, since April 2013 the economic insecurities have tended to increase rather than decrease; as a result, there are substantial factors causing insecurity, including for the real economy, in particular for the fragile financial markets. As a result, for the European Union, and in some cases also for North America, more and more experts are forecasting a rather reserved steel economy for the second half of the year, and thus also for the year as a whole.

The SKW Metallurgie Group records 10-15% of its revenues with customers outside the steel industry. This relates, roughly 50:50 to "Quab" specialty chemicals, which are mostly sold to producers of industrial starch (pre-product for paper production). The other half of revenues with non-steel customers is due to products from both core segments that are technologically related to products for the steel industry (e.g. calcium carbide for the gas industry and cored wire for the copper and foundry industries). Sales of SKW Metallurgie's products outside the steel industry are mostly in line with general economic trends.

Organization and company structure

There were no other material changes to the organization and corporate structure during the first half and in particular in the second quarter of 2013. This also relates to changes in the group of consolidated companies. The total number of **consolidated group companies** thus totaled 27 on June 30, 2013 (26 subsidiaries and the parent company) in 14 countries. The number of SKW Metallurgie's **production facilities** (without the Jamipol joint venture with two plants in India) did not change in the period under review and continues to total 16 plants (including one facility with production by two group companies) in 10 countries.

In particular, the Group's **shareholder structure** continues to be characterized by being held fully in free float (Deutsche Börse's definition): However, within the free float there has been one shareholder (Mellinckrodt 1 fund) who has held a share of more than 10% in the share capital of SKW Stahl-Metallurgie Holding AG which has remained unchanged since the capital increase in 2009.

SKW Stahl-Metallurgie Holding AG's Annual General Meeting was held in München (Germany) on June 11, 2013. The shareholders represented approved the motions by the Executive Board with approval of >99% in each case. In particular, as a result of the resolution by the general meeting, a dividend of EUR 0.50 per dividend-entitled share was paid for fiscal year 2012. As a result, the SKW Metallurgie Group has kept the absolute amount of its dividends constant, even in difficult periods. Based on the share price on the date of the general meeting the dividend return (before taxes) thus totaled approx. 4%.

Corporate and business development

SKW Metallurgie Group follows the steel economy in the first half of the year

In the first half of 2013 the global economy was characterized by moderate growth and in some economies even by a downturn in economic output. As a result, steel production for the first half of the year on all of the markets relevant for the SKW Metallurgie Group was substantially lower in 2013 than was the case in 2012. As a result, demand for the SKW Metallurgie Group's products was correspondingly lower.

In parallel, most raw materials prices fell during the period under review. As a result, the costs of materials for the SKW Metallurgie Group fell substantially (by EUR 33.9 million or 21.5%), which was, in principle, passed on to customers and which thus led to correspondingly lower revenues.

The SKW Metallurgie Group also succeeded in reducing all of the other major cost items in addition to the lower cost of materials (personnel expenses and other operating expenses). However, it was not possible to fully compensate for the downturn in revenues of EUR 43.7 million via short-term savings, with the result that EBITDA fell from EUR 13.5 million in the first six months of 2012 to EUR 8.7 million in the first half of 2013.

Despite these highly challenging underlying macroeconomic conditions, the SKW Metallurgie Group recorded slightly positive earnings per share in the first half of the year.

Revenues characterized by weaker steel demand and lower raw materials prices

Steel production in the European Union, the USA and Brazil fell by 5.1% in the first half of the year from 152.4 million tons to 144.5 million tons. As a result, the SKW Metallurgie Group's H1 revenues also fell year-on-year. In addition to the downturn in steel production, the lower revenues for the SKW Metallurgie Group in all segments were due to lower raw materials prices (which were passed on to customers in the form of lower selling prices) and currency translation effects.

The gross margin (the ratio of total operating revenue and cost of materials to revenues) increased once again by 2.3 percentage points from the already pleasing 29.0%, and totaled 31.3% in the first half of 2013. This success is due to even more consistent focusing on higher-margin products. The gross margin is also relatively insensitive to fluctuations in raw materials prices, because raw materials prices can, fundamentally, be passed on to customers via fluctuations in selling prices.

Other operating income of EUR 3.2 million (H1 2012: EUR 5.6 million) is mostly due to currency translation effects. The exchange rate gains included in other operating income are offset by corresponding exchange rate losses that are included in other operating expenses. This results in net currency translation effect (including currency translation effects that resulted as part of the consolidation of debt) of EUR -0.3 million, compared to net currency translation effect of EUR 0.6 million in the first half of the previous year. The bulk of the net currency translation expense continues to be unrealized.

Other operating expenses fell substantially from EUR 32.8 million to EUR 27.8 million. After adjustment for the currency translation effects already detailed under other operating income, we can see a downturn of EUR 29.4 million to EUR 25.4 million, which is primarily due to the lower variable (revenue-related) cost components such as transport costs and expenses for sale commissions.

EBITDA: Revenue downturn mostly caught by cost cuts

In the quarter under review, the SKW Metallurgie Group recorded EBITDA of EUR 8.7 million despite the sluggish economy and substantially lower revenues (H1-2012: EUR 13.5 million).

A downturn in revenues of EUR 43.8 million with a simultaneous downturn in EBITDA of just EUR 4.8 million shows that it was possible to compensate for the bulk of the downturn in revenues via short-term cost cuts. Here, we can see - as was already the case in the financial and economic crisis of 2008/2009 - the high variability of costs (above EBITDA) in the SKW Metallurgie Group.

Amortization/depreciation from January to June 2013 totaled EUR 5.5 million and was slightly higher than the previous year's figure (EUR 4.9 million), in particular as a result of taking the equipment in the new plants into operation (and the corresponding start of amortization/depreciation for this equipment).

Correspondingly, the company recorded **EBIT** of EUR 3.2 million compared to EUR 8.6 million in the first half of 2012.

The net interest result totaled EUR -2.4 million, and is lower than the previous year's figure of EUR -2.0 million; this change includes two contradictory effects:

- In the previous year's period, investment projects in Bhutan and Brazil had not yet been fully completed. As a result in the first half of 2012 interest expenses were capitalized in this connection, and were thus not directly recognized in income; in contrast, corresponding interest expenses in the first half of 2013 are recognized directly in income.

- In the same period of the previous year, the reorganization of borrowing resulted in one-off effects similar to interest of EUR 0.7 million, for which there was no comparable position in the first half of 2013.

Taking interest into account, earnings before taxes (EBT) for the six-month period totaled EUR 0.8 million (H1 2012: EUR 6.6 million).

Consolidated earnings for the first half of 2013 totaled EUR -0.6 million, after EUR 3.7 million in the same period of the previous year.

These earnings after taxes include tax expenses of EUR 1.5 million (H1 2012: EUR 2.9 million), which corresponds to a tax rate of more than 100% (previous year: 44%). The main reasons for this temporary increase in the tax rate are:

- During the six months under review, positive contributions to earnings mostly stemmed from countries with a high tax rate.

- As is standard practice in international groups, the SKW Metallurgie Group pays intra-group dividends. These dividends are not included in EBT, as they are consolidated as inter-company payments. In spite of this, however, income taxes are charged on these inter-company dividends.

- Due to the fundamental difference between EBT and the tax result, the tax rate under IFRS only has very restricted meaning.

The consolidated net earnings for the period due to the parent company's shareholders after taxes in the amount of EUR 0.4 million and the unchanged number of 6,544,930 shares result in **earnings per share** (EPS) of EUR 0.07 (H1 2012: EUR 0.66).

SKW Metallurgie Group's balance sheet continues to be very solid

The following table shows the key figures from the SKW Metallurgie Group's balance sheet at the end of the first six months of 2013 and the end of fiscal year 2012:

Assets in EUR million	06/30/2013	12/31/2012*
Non-current	161.7	167.2
Current	118.4	132.4
thereof: Cash and cash equivalents	10.0	25.3
Total assets	**280.2**	**299.6**

Equity and liabilities in EUR million	06/30/2013	12/31/2012*
Equity	113.7	120.6
Non-current liabilities	76.7	80.9
thereof: Non-current financial liabilities	55.3	58.5
Current liabilities	89.8	98.1
thereof: Current financial liabilities	30.0	40,8
Total equity and liabilities	**280.2**	**299.6**

The SKW Metallurgie Group's total assets totaled EUR 280.2 million at the end of the first half of 2013, and thus only fell slightly by EUR 19.4 million compared to the year-end figure in 2012 of EUR 299.6 million (December 31, 2012).

This change in total assets is due to several items of the balance sheet. Equity fell to EUR 113.7 million compared to EUR 120.6 million on December 31, 2012. This is mostly due to currency translation effects. However as total assets fell by more than equity, on June 30, 2013 the **equity ratio** totaled 40.6%, slightly higher than on December 31, 2012 (40.2%). The equity ratio is defined as equity to total assets.

Net financial debt (defined as current and non-current financial liabilities less cash and cash equivalents) at the SKW Metallurgie Group totaled EUR 75.3 million on June 30, 2013 and was thus only slightly higher than on December 31, 2012 (EUR 73.9 million).

Gearing, or the ratio of net financial debt to equity, thus increased correspondingly from 0.61 (December 31, 2012) to 0.66 (June 30, 2013).

On the whole, the group has succeeded in maintaining its traditionally strong financials despite more difficult underlying economic conditions, and in particular it has continued to record an equity ratio of more than 40%.

*Adjusted according to IAS 19R

Investment phase completed, positive free cash flow recorded

The following table shows the changes in the SKW Metallurgie Group's cash flow from January 1 to June 30, 2013 compared to the corresponding six-month period of 2012:

In EUR million	01/01/-06/30/2013	01/01/-06/30/2012
Consolidated net result for the period	-0.6	3.7
Non-cash income and expense	4.7	2.6
Gross cash flow	4.1	6.3
Changes in working capital	0.7	8.7
Cash flow from operating activities	4.8	15.0

The **gross cash flow** in the first six months of 2013 totaled EUR 4.1 million, and was thus substantially lower than in the comparable six-month period (EUR 6.3 million). This is mostly due to lower consolidated earnings for the period, which were down by EUR 4.3 million due to the economy.

Working Capital in the closer sense (inventories plus trade receivables less trade payables) showed further success of the optimization program: in the first half of 2013 funds were once again released (a further EUR 1.5 million after to EUR 8.9 million in the first half of 2012).

The SKW Metallurgie Group thus recorded net proceeds from operating activities of EUR 4.8 million compared to EUR 15.0 million in the first half of 2012.

As announced, the first stage of the SKW Metallurgie Group's expansion and investment phase, which started with the IPO, has now been completed. As a result, in 2013 the SKW Metallurgie Group's capital expenditure has focused, in particular, on maintenance investment. Accordingly net cash used in investing activities in the period under review of EUR 2.2 million (net) is clearly below the comparable figure from the previous year of EUR 17.1 million (net). It was thus also possible to improve the free cash flow as the sum of the net proceeds from operating activities and the net cash used in investing activities by EUR 4.6 million: In the first half of 2012 the high capital expenditure meant that the free cash flow was negative (EUR -2.0 million), however in the first six months of 2013 the SKW Metallurgie Group recorded a positive free cash flow of EUR 2.6 million; the Group is also aiming to record a positive free cash flow for the whole of 2013. The SKW Metallurgie Group's financing activities in the first six months of 2013 were characterized by the payment of a dividend for fiscal year 2012 in the amount of EUR 3.3 million;net financial debt remained approximately stable.

Segment reporting

The SKW Metallurgie Group currently comprises an unchanged number of three segments: the two core segments of Cored Wire and Powder and Granules and also the Other segment (including the Quab business). Internal revenue between the segments is eliminated in the "consolidation" column (see segment reporting in the notes); internal revenues within a segment are already eliminated in the disclosure of the segment figures.

The two core segments Cored Wire and Powder and Granules mainly include products and services for the steel industry, and in turn for hot metal desulfurization in furnaces (core activities for Powder and Granules) and secondary metallurgy (core activities for Cored Wire).

Growth in the two core segments during the period under review was as follows:

The **Cored Wire** segment recorded lower external revenues of EUR 102.0 million in the first six months due to the tepid demand as a result of the economy (H1-2012: EUR 81.0 million). However, the improved contributions to earnings from the new plants and stronger operating performance for some segment companies meant that segment EBITDA improved substantially from EUR 2.6 million to EUR 4.2 million - in contrast to the downturn in revenues.

In the **Powder and Granules** segment, external revenues fell slightly during the six-month period as a result of the economy from EUR 103.4 million to EUR 83.3 million, in line with the reduction for Cored Wire. This led to a substantial downturn in segment EBITDA from EUR 10.2 million to EUR 4.2 million; as a result both revenues and also EBITDA in the two core segments were practically at the same level in the first half of 2013.

Staff levels practically constant

Excellently trained, highly motivated employees continue to be a key component of the SKW Metallurgie Group's successful business operations. The number of employees worldwide totaled 1,018 on June 30, 2013 was slightly lower than the comparable figure from 2012 (1,022). Around 98% of our employees continue to work outside Germany.

Report on opportunities and risks

The SKW Metallurgie Group and SKW Stahl-Metallurgie Holding AG attach great importance to the constant recognition and evaluation of opportunities and risks, and to the implementation of appropriate measures where necessary to best realize those opportunities and best limit those risks. As a result, as is standard practice, during the second quarter of 2013, the risk inventory performed in 2012 (and updated on March 31, 2013) was updated in the form of a quarterly risk report, in particular with regard to the possible impact of the increased macroeconomic risks. The risk report did not otherwise include any major changes compared to the statements made on opportunities and risks made in the 2012 annual report and in the report on the first quarter of 2013.

Report on events after the balance sheet date

After the end of the period under review on June 30, 2013, and up to the date on which this interim report was prepared, there were no events of particular importance for the SKW Metallurgie Group.

Forecasts for 2013 and 2013 characterized by economic insecurity

The economic uncertainties, which have increased once more and which could be seen in the first six months of 2013, as well as what are mostly still unresolved problems in the sovereign debt crisis in key European countries and also major public budgets in the USA, have led to a highly challenging macroeconomic environment in the first half of 2013. The SKW Metallurgie Group has actively faced these challenges; however, it was not able to fully escape the substantial slump in the steel and raw materials economy.

Looking forward, these macroeconomic insecurities mean that it has become more difficult to forecast our business and in addition, the forecasts and budgets that are still available point towards a tepid second half of the year. A large number of experts believe that there are increasingly high risks and raise the question of whether the global economy will actually enjoy positive growth in the second half of 2013. This type of sluggish economic growth is likely to lead to very reserved steel production, which in turn could induce a downturn in demand for SKW Metallurgie's products:

- The SKW Metallurgie Group's Executive Board believes that, for this reason, there will be no notable positive impetus from **Europe** in particular in the current fiscal year. This affects the Group's Swedish company in particular, due to its higher proportion of fixed costs than the group's average (furnace process), and also as a result of its limited ability to transport its products, which means that it focuses almost exclusively on the European market.

- The steel market in **North America** is also facing increasing insecurity for the remainder of fiscal year 2013. In addition to macroeconomic growth, it remains to be seen to what extent the lost revenues due to the insolvency of RG Steel in 2012 can be compensated by higher production quantities for other SKW Metallurgie Group customers, thus leading to higher revenues.

- The steel market in **Brazil** is also being impacted by macroeconomic uncertainties, which are being reinforced by social unrest and exchange rate fluctuations.

Subject to the condition that the steel economy does not actually recover during the second half of the year, the Executive Board now believes, in its **full-year Guidance**, that the SKW Metallurgie Group's **revenues** in the current fiscal year will not reach the previous year's figure (EUR 404.6 million) due to the economy. Despite the continued high cost variability, this anticipated downturn in revenues will also impact **EBITDA**. If the steel economy does not recover, it will not be possible to reach the previous guidance of surpassing the previous year's figure of EUR 20.8 million, despite improved contributions to earnings from the new plants compared to 2012.

In order to combat the macroeconomic challenges, the SKW Metallurgie Group's Executive Board has worked out an extensive program to increase income, which will lead to both higher revenues and will also cut costs. Some of the activities have already been implemented; the bulk of the additional contributions to earnings from this program is expected from 2014.

Unterneukirchen (Germany), August 2013

SKW Stahl-Metallurgie Holding AG
The Executive Board

Ines Kolmsee
CEO

Oliver Schuster

Reiner Bunnenberg

Consolidated income statement for the period from January 1 to June 30, 2013

EUR thousand	Q1-2 2013	Q1-2 2012
Revenues	176,160	219,940
Change in finished goods and work in progress	2,962	1,684
Own work capitalized	33	42
Other operating income	3,223	5,632
Cost of materials	-123,976	-157,916
Personnel expenses	-22,329	-23,530
Other operating expenses	-27,778	-32,825
Income from associated companies	425	442
EBITDA	**8,720**	13,469
Amortization of intangible non-current assets and depreciation of property, plant and equipment	-5,480	-4,852
EBIT	**3,240**	8,617
Net interest	-2,393	-2,048
Result from ordinary business activities	847	6,569
Income taxes	**-1,456**	-2,860
Consolidated net income/loss for the period	-609	3,709
Thereof shareholders of SKW Stahl-Metallurgie Holding AG	**437**	4,331
Thereof non-controlling interests	-1,046	-622
Earnings per share (in EUR)*	**0.07**	0.66

* Basic earnings per share correspond to diluted earnings per share.

Consolidated income statement for the period from April 1 to June 30, 2013

EUR thousand	Q2 2013	Q2 2012
Revenues	88,376	106,744
Change in finished goods and work in progress	839	554
Own work capitalized	16	31
Other operating income	801	2,657
Cost of materials	-60,904	-74,909
Personnel expenses	-10,952	-11,461
Other operating expenses	-14,620	-16,343
Income from associated companies	149	229
EBITDA	**3,705**	7,502
Amortization of intangible non-current assets and depreciation of property, plant and equipment	-2,753	-2,406
EBIT	**952**	5,096
Net interest	-1,122	-507
Result from ordinary business activities	-170	4,589
Income taxes	**-1,091**	-963
Consolidated net income/loss for the period	-1,261	3,626
Thereof shareholders of SKW Stahl-Metallurgie Holding AG	**-797**	3,483
Thereof non-controlling interests	-464	143
Earnings per share (in EUR)*	**-0.12**	0.53

* Basic earnings per share correspond to diluted earnings per share.

Reconciliation to comprehensive income from January 1 to June 30, 2013

EUR thousand	Q1-2 2013	Q1-2 2012*
Consolidated net income/loss for the period	**-609**	3,709
Items that are not reclassified to the income statement at a later date:		
Change in actuarial gains and losses from defined benefit pension commitments	-1,743	-733
Deferred taxes on items that are not reclassified to the income statement at a later date	501	218
Items that are reclassified to the income statement at a later date:		
Net investments in a foreign operation	161	-7
Unrealized losses from derivatives (hedge accounting)	137	442
Exchange rate fluctuations	-2,893	-1,435
Taxes on income and expenses carried directly under equity	-40	-173
Other result	**-3,877**	-1,688
Total result	**-4,486**	2,021
Thereof shareholders of SKW Stahl-Metallurgie Holding AG	-2,662	3,165
Thereof non-controlling interests	-1,824	-1,144

*Adjusted as a result of the impact of application of IAS 19R, see Basis of Presentation, Item A in the Notes

Reconciliation to comprehensive income from April 1 to June 30, 2013

EUR thousand	Q2 2013	Q2 2012*
Consolidated net income/loss for the period	**-1,261**	3,626
Items that are not reclassified to the income statement at a later date:		
Change in actuarial gains and losses from defined benefit pension commitments	92	0
Deferred taxes on items that are not reclassified to the income statement at a later date	-46	0
Items that are reclassified to the income statement at a later date:		
Net investments in a foreign operation	-639	761
Unrealized losses from derivatives (hedge accounting)	137	4
Exchange rate fluctuations	-5,377	-114
Taxes on income and expenses carried directly under equity	-40	-2
Other result	**-5,873**	649
Total result	**-7,134**	4,275
Thereof shareholders of SKW Stahl-Metallurgie Holding AG	-5,340	4,540
Thereof non-controlling interests	-1,794	-265

*Adjusted as a result of the impact of application of IAS 19R, see Basis of Presentation, Item A in the Notes

Consolidated balance sheet as of June 30, 2013

Assets in EUR thousand	Notes	06/30/2013	12/31/2012*
Non-current assets			
Intangible assets	13	50,034	52,389
Property, plant and equipment	14	90,169	92,816
Interests in associated companies	15	4,577	4,793
Other non-current assets	19	519	536
Deferred tax assets	16	16,444	16,709
Total non-current assets		**161,743**	**167,243**
Current assets			
Inventories	17	52,589	54,904
Trade receivables	18	44,464	39,949
Income taxes	19	6,108	5,839
Other current assets	19	5,295	6,370
Cash and cash equivalents	20	9,987	25,330
Total current assets		**118,443**	**132,392**
Total assets		**280,186**	**299,635**

Equity and liabilities in EUR thousand	Notes	06/30/2013	12/31/2012*
Equity	21		
Subscribed capital		6,545	6,545
Share premium		50,741	50,741
Other comprehensive income		42,989	47,633
		100,275	104,919
Non-controlling interests		13,389	15,681
Total equity		**113,664**	**120,600**
Non-current liabilities			
Pension obligations	23	5,606	5,419
Other non-current provisions	25	2,887	2,787
Obligations from finance leases	24	5	22
Non-current financial liabilities	26	55,326	58,466
Deferred tax liabilities	16	12,610	13,535
Other non-current liabilities	28	310	660
Total non-current liabilities		**76,744**	**80,889**
Current liabilities			
Other current provisions	25	1,464	2,174
Obligations from finance leases	24	33	36
Current financial liabilities	26	29,957	40,774
Trade payables	27	42,181	38,450
Income taxes		741	709
Other current liabilities	28	15,402	16,003
Total current liabilities		**89,778**	**98,146**
Total equity and liabilities		**280,186**	**299,635**

*Adjusted as a result of the impact of application of IAS 19R, see Basis of Presentation, Item A in the Notes

Consolidated statement of changes in equity as of June 30, 2013

EUR thousand	Subscribed capital	Share premium	Other comprehensive income	Consolidated equity of majority shareholders	Non-controlling interests	Total equity
Balance at Jan. 1, 2012	**6,545**	**50,741**	**53,462**	**110,748**	**17,608**	**128,356**
Consolidated net income for the period	0	0	4,331	4,331	-622	3,709
Exchange rate fluctuations	0	0	-661	-661	-774	-1,435
Income and expense carried under equity (without exchange rate changes)	0	0	-1,020	-1,020	252	-768
Total result 2012	**0**	**0**	**2,650**	**2,650**	**-1,144**	**1,506**
Dividend payment	0	0	-3,272	-3,272	0	-3,272
Balance as of June 30, 2012*	**6,545**	**50,741**	**52,840**	**110,116**	**16,464**	**126,590**
Balance at Jan. 1, 2013	**6,545**	**50,741**	**48,923**	**106,209**	**15,681**	**121,890**
Consolidated net loss for the period	0	0	437	437	-1,046	-609
Exchange rate fluctuations	0	0	-2,115	-2,115	-778	-2,893
Income and expense carried under equity (without exchange rate changes)	0	0	-984	-984	0	-984
Total result 2013	**0**	**0**	**-2,458**	**-2,458**	**-1,628**	**-4,086**
Dividend payment	0	0	-3,272	-3,272	-468	-3,740
Balance as of June 30, 2013	**6,545**	**50,741**	**42,989**	**100,275**	**13,389**	**113,664**

*Adjusted as a result of the impact of application of IAS 19R, see Basis of Presentation, Item A in the Notes

Consolidated cash flow statement January 1 to June 30, 2013

EUR thousand		01/01/2013 - 06/30/2013	01/01/2012 - 06/30/2012
1.	Consolidated net income/loss for the period	**-609**	3,709
2.	Write-ups/write-downs of non-current assets	5,480	4,852
3.	Increase/decrease in provisions for pensions	279	236
4.	Income from associated companies	-149	-442
5.	Result from the disposal of non-current assets	-430	-5
6.	Result from currency conversion	243	627
7.	Result from deferred taxes	-761	-862
8.	Other non-cash income and expense	13	1,811
9.	**Gross cash flow**	**4,066**	6,304
	Change in working capital		
10.	Increase/decrease in current provisions	-610	-60
11.	Increase/decrease in inventories (after advance payments received)	2,291	-2,226
12.	Increase/decrease in trade receivables	-4,526	2,537
13.	Increase/decrease in other receivables	4	-3,110
14.	Increase/decrease in trade receivables	-269	0
15.	Increase/decrease in other assets	1,072	5,567
16.	Increase/decrease in trade payables	3,731	8,619
17.	Increase/decrease in other liabilities	-15	-1,331
18.	Increase/decrease in other equity and liabilities	-981	-1,259
19.	**Net cash provided by (+)/used in (-) operating activities**	**4,763**	15,041
20.	Income from the disposal of assets	761	158
21.	Payments for investments in non-current assets	-2,940	-9,228
22.	Downstream purchase price paid for corporate acquisitions	0	-8,004
23.	**Net cash provided by (+)/used in (-) investing activities**	**-2,179**	-17,074
24.	Decrease in liabilities from finance leases	-20	0
25.	Dividend payment to shareholders of the parent company	-3,272	-3,272
26.	Dividend payments to non-controlling interests	-468	0
27.	Income from taking out bank loans	1,987	11,260
28.	Payments for the repayment of bank loans	-15,945	0
29.	**Net cash provided by (+)/used in (-) financing activities**	**-17,718**	7,988
30.	Cash and cash equivalents – start of period	25,330	10,382
31.	Change in cash and cash equivalents	-15,134	5,955
32.	Currency translation for cash and cash equivalents	-209	-19
33.	**Cash and cash equivalents – end of period**	**9,987**	16,318

Notes to the consolidated financial statements for the interim report as of June 30, 2013

A. Basis of presentation

SKW Stahl-Metallurgie Holding AG prepares its interim reports according to International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS). This interim report of SKW Stahl-Metallurgie Holding AG was prepared in line with the International Financial Reporting Standards (IFRS) to be applied in the European Union and the interpretations of the IFRS Interpretations Committee. With regard to the methods used for estimates the comments in the notes to the consolidated financial statements as of December 31, 2012, Section "C. Accounting and Valuation Principles" also apply for this unaudited semi-annual report as of June 30, 2013. The SKW Metallurgie Group's 2012 annual report can be found online at www.skw-steel.com. For further information on the accounting and valuation principles applied, please refer to the consolidated financial statements as of December 31, 2012, which form the basis of these interim financial statements.

The new and revised accounting standards for which application has been mandatory since fiscal year 2013 form an exception. In this regard, for the interim report as of June 30, 2013 please refer to the comments made in the notes to the consolidated financial statements as of December 31, 2012 in Section "A. General Information and Presentation of the Consolidated Financial Statements". IASB published changes to IAS 19 Employee benefits in June 2011, which were endorsed by the EU in June 2012. The changes to IAS 19 are, as a rule, to be applied with retroactive effect for financial statements for fiscal years beginning on or after January 1, 2013. The SKW Metallurgie Group has adjusted the figures reported for the previous year for the effects of the changes to IAS 19.

With regard to the methods used for estimates, the comments in the notes to the consolidated financial statements as of December 31, 2012, Section "B. Consolidated Group and Consolidation Methods" apply. In addition, rounding may lead to differences in the tables in the notes to the consolidated financial statements.

The SKW Metallurgie Group's operating business in the Cored Wire and Powder and Granules segments is not subject to major seasonal fluctuations. In spite of this, however, maintenance work by customers and active inventory management for finished goods in steel plants must be considered when comparing periods in the course of the year. However, these activities are not conducted in the same quarters each year.

B. Consolidated group

The consolidation methods applied and the group of consolidated companies have not changed compared to the 2012 consolidated financial statements.

C. Net assets, financial position and results of operations

Balance sheet

The SKW Metallurgie Group's total assets on June 30, 2013 amounted to EUR 280,186 thousand (December 31, 2012: EUR 299,635 thousand). A reduction in non-current assets contributed significantly to lowering total assets as a whole. In addition to negative net capital expenditure of EUR -2,540 thousand, consolidation-related exchange rate effects contributed to this development. In addition, cash and cash equivalents fell in the period under review by EUR 15,343 thousand, which is primarily due to the fact that it was possible to reduce financial liabilities against the end of fiscal year 2012 by EUR 13,957 thousand to EUR 85,283 thousand.

The key items of current assets are, as was the case in the previous year, inventories totaling EUR 52,589 thousand or 18.8% of total assets and trade receivables of EUR 44,464 thousand or 15.9% of total assets.

Equity on June 30, 2013 totaled EUR 113,664 thousand (December 31, 2012: EUR 120,600 thousand); the consolidated equity ratio increased slightly from 40.2% on December 31, 2012 to 40.6% on June 30, 2013 (all figures incl. non-controlling interests). Trade accounts payable increased in the first half of 2013 by EUR 3,731 thousand to EUR 42,181 thousand. It was thus possible to reduce the total amount of inventories, trade receivables and trade payables once again by EUR 1,532 thousand compared to December 31, 2012, to a current total of EUR 54,871 thousand.

Income statement

In the first six months of 2013, the SKW Metallurgie Group recorded revenues of EUR 176,160 thousand compared to EUR 219,940 thousand in the same period of 2012. As a result, after the substantial reductions in revenue since the second quarter of 2012, we can see that demand has stabilized at a level slightly higher than in the previous quarter. The gross margin as the quotient of revenues, changes in inventories, own work capitalized and costs of materials to revenues, totaled 31.3% in the first half of 2013 and has thus improved substantially compared to the first six months of 2012 (29.0%).

Of the other operating income of EUR 3,223 thousand (H1 2012: EUR 5,632 thousand), EUR 2,309 thousand stem from exchange rate gains including currency translation effects resulting from the consolidation of debt (H1 2012: EUR 5,590 thousand). The currency translation gains are offset by corresponding currency translation losses, which are included in other operating expenses. The currency translation losses in the first half of the year totaled EUR 2,656 thousand compared to the figure from the first six months of 2012 of EUR 5,029 thousand, which, at the end of the day, resulted in a negative currency translation effect in the period under review of EUR -347 thousand compared to a positive net currency translation effect of EUR 561 thousand in the previous year.

Irrespective of the currency translation effects described above, the downturn in other operating expenses from EUR 32,825 thousand in the previous year to EUR 27,778 thousand in the period under review is due in particular to lower transport costs and lower expenses for sales commissions.

Personnel expenses in the first six months totaled EUR 22,329 thousand compared to EUR 23,530 thousand for the same period of the previous year.

The net interest result is lower year-on-year at EUR -2,393 thousand (previous year: EUR -2,048 thousand). This is due, in particular, to the fact that the previous year's figure included one-off expenses of EUR 651 thousand in connection with the reorganization of the SKW Metallurgie Group's financing. In addition, the figure for the first half of 2012 included capitalized interest of EUR 1,007 thousand in connection with investment projects in Bhutan and Brazil, and there were no such capitalizations in the quarter under review.

The consolidated net earnings for the period to June 30, 2013 totaled EUR -609 compared to EUR 3,709 last year. Non-controlling interests in the first six months of 2013 totaled EUR -1,046 thousand compared to EUR -622 thousand in the same period of the previous year.

Cash flow statement

Gross cash flow in the six months under review totaled EUR 4,066 thousand, lower than the previous year's figure of EUR 6,304 thousand, mostly due to the downturn in consolidated net earnings.

In the gross cash flow for 2012, the item "Other non-cash income and expense" includes expenses from valuation allowances for trade receivables in the amount of EUR 1,655 thousand. No such valuation allowances were incurred in the first six months of 2013.

In view of working capital, in H1 2013 an inflow of funds of EUR 697 thousand was recorded (H1 2012: EUR 608 thousand). The SKW Metallurgie Group thus recorded net proceeds from operating activities of EUR 4,763 thousand compared to EUR 15,041 thousand in the first half of 2012.

Net cash used in investing activities amounted to EUR 2,179 thousand in the period under review, compared to EUR 17,074 thousand in the same period of the previous year. As a result, cash flow after investments is positive in the period under review (EUR 2,584 thousand) after a negative figure of EUR 2,033 thousand in the same period of the previous year. As a result of the redemption of liabilities to banks in 2013, financing activities resulted in a net cash outflow of EUR 17,718 thousand compared to net proceeds of EUR 7,988 in the same period of the previous year.

During the period under review, the cash flow from operating activities included the following payments:

- Interest paid to third parties totaling EUR 2,843 thousand
- Interest received from third parties totaling EUR 1 thousand
- Income tax payments totaling EUR 1,806 thousand
- Income tax refunds totaling EUR 435 thousand

D. Segment reporting

At present the SKW Metallurgie Group is subdivided into business segments in line with the regulations of IFRS 8. These segments correspond to the SKW Metallurgie Group's internal organization and reporting structure. As a result, the SKW Metallurgie Group has identified three reporting segments:

a) Cored Wire

b) Powder and Granules

c) Other

The segment information on the business segments in the first six months of 2013 is as follows:

Q1-2 2013 in EUR thousand	Cored Wire	Powder and Granules	Other	Conso-lidation	Group
Revenues					
Third-party revenues	81,037	83,301	11,822	0	176,160
Internal revenues	354	731	0	-1,085	0
Total revenues	**81,391**	**84,032**	**11,822**	**-1,085**	**176,160**
EBITDA	**4,224**	**4,228**	**268**	**0**	**8,720**
Amortization/depreciation	-1,997	-2,815	-668	0	-5,480
EBIT	**2,227**	**1,413**	**-400**	**0**	**3,240**

In the subsequent table, the relevant segement data are shown for the previous year:

Q1-2 2012 in EUR thousand	Cored Wire	Powder and Granules	Other	Conso-lidation	Group
Revenues					
Third-party revenues	102,019	103,400	14,521	0	219,940
Internal revenues	159	8,690	0	-8,849	0
Total revenues	**102,178**	**112,090**	**14,521**	**-8,849**	**219,940**
EBITDA	**2,568**	**10,195**	**706**	**0**	**13,469**
Amortization/depreciation	-1,166	-2,992	-694	0	-4,852
EBIT	**1,402**	**7,203**	**12**	**0**	**8,617**

E. Related parties

There were no major changes in key transactions with related parties in the period under review compared to the 2012 consolidated financial statements.

F. Contingent receivables and liabilities

The following changes have occurred since the annual financial statements as of December 31, 2012:

ESM Group

The maritime law dispute from 2005 has now been conclusively ended. With regard to the charges against ESM Group Inc. from 2005 for improper customs treatment of specialty magnesium, settlement discussions have commenced between the US authorities and ESM Group Inc.; a provision was formed.

SKW Stahl-Metallurgie Holding AG / SKW Stahl-Metallurgie GmbH

In the appeal pending with the Federal Court of Justice between Gigaset AG and SKW Stahl-Metallurgie GmbH and SKW Stahl-Metallurgie Holding AG, the Federal Court of Justice has discontinued the proceedings until several issues of European law have been clarified with the European Court of Justice.

All of the SKW Metallurgie Group‘s other contingent liabilities have not changed materially compared to December 31, 2012.

G. Key events after the balance sheet date

There were no events of particular importance for the Group after the end of the period under review and before this interim report was prepared.

H. Shareholder structure

The following shareholdings in the SKW Metallurgie Group carry a reporting requirement according to the Wertpapierhandelsgesetz - WpHG (German Securities Trading Act) (3% or more of total voting rights) on June 30, 2013:

Name	Registered office	Number of shares	Shares held correspond to	Date	Remarks
LBBW Asset Management Investmentgesellschaft mbH	Stuttgart, Germany	331,599	5.07%	September 23, 2010	
N más Uno IBG, S.A.	Madrid, Spain	360,051	5.50%	November 7, 2012	two notifications for the same shareholding
EQMC Europe Development Capital Fund plc.	Dublin, Ireland	336,340	5.14%	November 16, 2012	
Mellinckrodt 1	Luxemburg-Strassen, Luxembourg	654,915	10.01%	December 28, 2012	
Baden-Württembergische Versorgungsanstalt für Ärzte, Zahnärzte und Tierärzte	Tübingen, Germany	388,625	5.94%	January 11, 2013	
Kreissparkasse Biberach	Biberach, Germany	200,803	3.0681%	March 27, 2013	two notifications for the same shareholding

The shareholdings only relate to the stated date; any possible subsequent changes only have to be reported if a reporting limit within the meaning of the WpHG is reached, exceeded or fallen below.

The interests stated can include allocable votes according to the WpHG. As the same votes can, in certain cases, be allocated to more than one person, these voting rights can be included in more than one notification of voting rights.

The notifications of voting rights were disseminated throughout Europe by the service provider DGAP/EQS. The original wording of the notifications can be viewed online at www.dgap.de.

The members of the Executive and Supervisory Boards together held less than 1% of SKW Metallurgie's shares on June 30, 2013.

Unterneukirchen (Germany), August 2013

SKW Stahl-Metallurgie Holding AG
The Executive Board

Ines Kolmsee
CEO

Oliver Schuster

Reiner Bunnenberg

Statement by the Executive Board

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, we assure that the interim consolidated financial statements as of June 30, 2013 give a true and fair view of the assets, liabilities, financial position and profit or loss of the group, and the interim management report of the group includes a fair review of the development and performance of the business and the position of the group, together with a description of the principal opportunities and risks associated with the expected development of the group for the remaining months of the fiscal year.

Unterneukirchen (Germany), August 2013

SKW Stahl-Metallurgie Holding AG
The Executive Board

Ines Kolmsee
CEO

Oliver Schuster

Reiner Bunnenberg

Financial Calendar 2013 (remaining)

November 11, 2013

during "Eigenkapitalforum" (Equity Forum) in Frankfurt/M., Germany

→ Analysts' Conference

November 15, 2013

→ Publication of business figures first nine months 2013

May be subject to change.

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Disclaimer and Notes

This report contains statements about forthcoming developments that are based on currently available information and that entail risks and uncertainties. This may result in deviations between the actual situation in the future and the forward-looking statements. These risks and uncertainties include, for example, unpredictable changes in political and economic conditions, particularly in the steel and paper industry, the competitive situation, interest and currency risks, technological development as well as other risks and unexpected circumstances. SKW Stahl-Metallurgie Holding AG, Unterneukirchen (Germany) and its group companies do not accept any responsibility to update such forward-looking statements.

When reference is made in this report to groups of people who factually or potentially include both genders (such as "shareholders" or "employees") or when gender neutral references are made to a single person (such as "the responsible officer"), the report usually only quotes one gender. This is solely done in the interest of improved readability (translator's note: in most instances this only applies to the German original, since there are no distinct terms in English for male or female shareholders, experts, employees, etc.).

SKW Stahl-Metallurgie Holding AG's Group brand that is used externally is "SKW Metallurgie". For this reason "SKW Metallurgie" and "SKW Metallurgie Group" are used in this report.

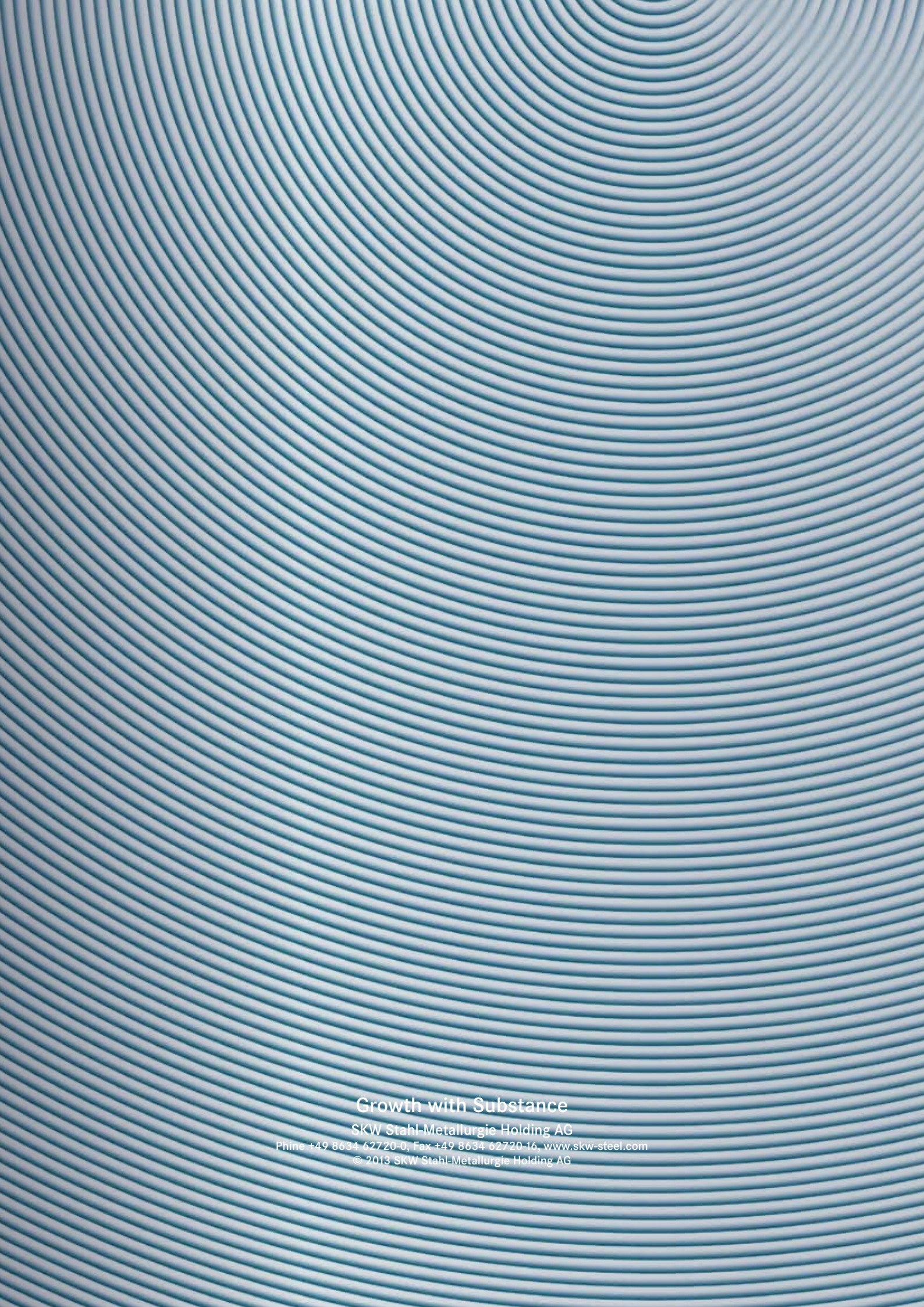
Names such as "SKW Metallurgie", "Quab" and "SDAX" that are used in this report may be registered trademarks whose use by third parties for their purposes could infringe the rights of the proprietors.

This is the English translation of the German original of this report; in case of any discrepancies the German version prevails. In addition, for technical reasons (e.g., the conversion of electronic formats) there may be differences between the accounting documents included in this report and those submitted to the electronic company register.

For several cities quoted in this report, different names and/or transcriptions into the Latin alphabet are in use. The use of a certain name or transcription is for information only and is not intended to imply any political statement. Maps that may be contained in this report are for illustration only and are not intended to induce any political statements, such as the legitimacy of borders. In this report, the term "China" refers to the PR of China without its two Special Administrative Regions. In this report, the term "Hong Kong" refers to the PR of China's Special Administrative Region of Hong Kong.

References to acts of law (e.g. the Public Limited Companies Act) without any further information relate to the German acts of law in their respective applicable version.

This report was published on August 13, 2013 and is available at www.skw-steel.com to download free of charge.



Growth with Substance

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